1996 ANNUAL REPORT

WAL★MART®

Inside Wal-Mart!

TABLE OF CONTENTS

FEATURES

PAGE 12

PAGE 4

PAGE 14

FINANCIALS

On the cover: *Associate Joseph Miller assists customers in a Wal-Mart Supercenter, which Wall Street analysts are calling a strong growth vehicle for the company.*

Creating Value

The retail environment we faced during the past year was the most difficult in recent memory. High consumer debt levels caused many shoppers to reduce or defer spending on anything other than essentials. Lack of exciting new products or apparel trends reduced discretionary spending. Fierce competition resulted in lower margins and the lack of inflation in retail prices stalled productivity increases.

In fiscal 1996, we achieved record sales of $93.6 billion and record earnings of $2.7 billion. To put it in proper perspective, our sales rank us as the fourth largest company in the U.S., and the 12th largest in the world. Our earnings led all retailers and made us the 13th most profitable company in America. Although this was an acceptable year by most standards, it was not a Wal-Mart year. We are not compared with other retailers or other companies, but with our prior results.

Giving Value

In this report, we talk about "value." In its most obvious use, the word means the value we give our customers. In another very real sense, it is the value we create for our shareholders. We are committed to generating additional value for both groups. Through the years, our customers benefited from the low prices we offered in the stores. Historically, our shareholders also experienced one of the highest returns of any major company. However, recently our earnings growth has not translated into share price appreciation.

Our development of Supercenters, international investments, and acquisitions resulted in lower initial returns. I wish I could tell you that each new investment will immediately generate acceptable earnings, but I can not. The days when we could open a discount store in rural America and see instant returns are gone. However, we do believe our current projects will generate excellent future returns. Still and all, the returns will be weighted toward the later years of the projects' existence due to the heavy initial investment required. We are focusing more than ever on our return on assets, and I firmly believe we will show improvement in the coming year.

David Glass, president and CEO, shares a moment with Associate Renee Carr.

> *"I firmly believe that our two greatest assets are our customers and our Associates."*

Our discount stores continue to generate strong customer traffic and receive excellent consumer research scores on store of first choice, lowest prices, assortment, customer service and in-stock position. The SAM'S Club division produced a 10% increase in operating profit despite a difficult environment, and I anticipate further improvements in the current year. Supercenters continue to meet our expectations, and I am very excited about the significant growth opportunities this retail vehicle affords the Company.

International Review

In this report, we also discuss our international development. We are committed to being a global retailer but we will not invest more capital than is justified by our results. Mexico was profitable this year in a very difficult economic environment. In Canada, we generated operating profit and achieved a 40% market share in only our second year of operation. Both of these countries currently generate sufficient cash flow to support our current operations and plans for growth. In addition, our initial results in Argentina and Brazil are encouraging. This year, we will begin operations in China and Indonesia under joint venture and royalty agreements.

Our focus remains on providing all of our customers worldwide with the best value, the widest assortment, and the friendliest service. We have the best merchants and Associates in the industry, and we are well positioned for future growth with our Supercenters and international development. Today, I feel better about Wal-Mart's prospects than I ever have in the past.

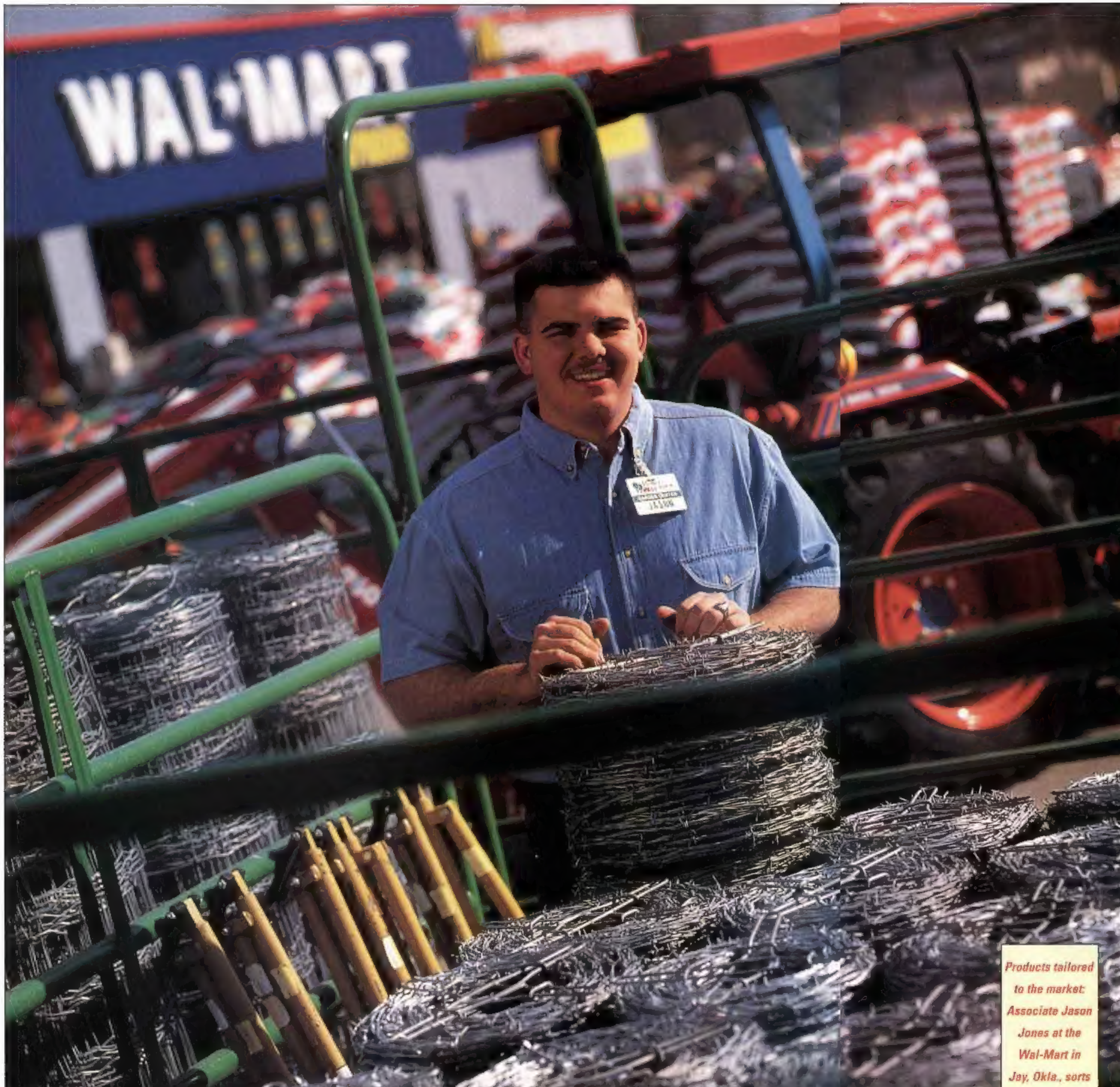
New Investment Plans

You will also notice a change in this year's annual report to a magazine format that gives us more flexibility in telling the many stories of Wal-Mart. In addition, we are introducing in this annual report our new dividend reinvestment and direct stock purchase plans. These are the most frequently requested shareholder services and there are further details on these programs later in the magazine.

As always, we want to personally thank all of our 675,000-plus Associates who labored under challenging conditions to see that each customer receives the outstanding service he or she expects and deserves. We salute their dedication. We also thank our customers and friends who give us a vote of confidence every day as they visit and shop in Wal-Mart stores and SAM'S Clubs. I firmly believe that our two greatest assets are our customers and our Associates. Finally, we appreciate you, our shareholders, for your patience and look forward to updating you on the Company's progress at our annual meeting on June 7, 1996, in Fayetteville, Arkansas.

David Glass

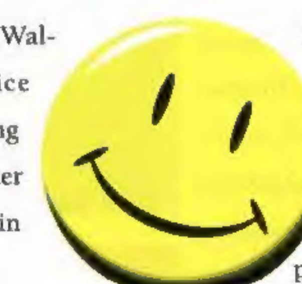
David D. Glass
President and Chief Executive Officer



Products tailored to the market: Associate Jason Jones at the Wal-Mart in Jay, Okla., sorts fencing wire.

WAL-MART: A CULTURE OF SERVICE & VALUE

Becoming the world's largest retailer was never considered. And being big has never been the goal. The objective at Wal-Mart when Mr. Sam and his brother Bud developed their stores in the early 1960s was to provide products of unbeatable value with the best possible customer service…



As it turned out, Wal-Mart's brand of service and value was something people wanted no matter where in the U.S. — or in the world — they live.

Today — more than 2,400 Wal-Mart Stores, 470 SAM'S Clubs and 675,000 Associates later — service and value to customers, communities, shareholders, vendors and Associates alike are still the underpinnings of the friendly Wal-Mart or SAM'S Club that's just down the street or around the corner. It's a personal place where people don't just shop. They visit. They help one another. Aisle to Aisle. Store by store. In places as varied as South Philadelphia, Sao Paulo or Steamboat Springs.

How does Wal-Mart keep doing it? How does a company maintain a people- and value-oriented culture as it approaches the $100 billion sales mark?

By minding the store. By never looking beyond the customer without a smile, under the company's legendary 10-foot rule. The rule, a fixture at Wal-Mart, reminds Associates to pleasantly acknowledge any customer who is within 10 feet.

"At Wal-Mart, we are all merchants first, no matter what our job is. And that means finding the best prod-

ucts at the lowest cost for our customers, and giving each and every customer the best possible service we can provide," Tom Coughlin, executive vice president – operations, Wal-Mart Stores Division, points out.

It is this dogged dedication to being merchants first that seems to be at the heart of Wal-Mart's consistency over time.

We Sell for Less

Nothing has been more consistent at Wal-Mart than the Every Day Low Price (EDLP) philosophy, the thriving principle at both discount stores and SAM'S Clubs.

Low prices are really the effect of EDLP, which encourages cost-reduction so that savings can be passed on to customers.

For example, the company keeps its advertising budget the lowest in the business and Wal-Mart does not have to invest in costly weekly advertising circulars — like competitors do — because customers are familiar with Wal-Mart's low price concept. There are benefits for the company, too, since refraining from weekly or seasonal promotions that can cause spikes in inventory and promotional costs simplifies operations.

Since great value equals quality plus a good price, EDLP is essential to Wal-Mart's pledge to provide value every day. Rather than a mere catchy phrase, EDLP is a state of mind at Wal-Mart — permeating every level of the company — from the Associate who finds a way to cut costs in a store to the buyer negotiating with a supplier for the best possible deal for the customer.

"We think of ourselves as agents for the customers, buying for them rather than selling to them," emphasizes Don Soderquist, chief operating officer of Wal-Mart Stores, Inc. "As long as there are Wal-Marts and SAM'S Clubs, there will be every day low prices. It is that central to our culture," he says.

The Super Response

Since the first corner drugstore added bread and milk to its shelves, retailers have been expanding merchandise assortments to better serve their customers.

This blending has taken on new dimensions with the Wal-Mart Supercenters, which not only merge general merchandise with groceries, but also offer goods and services such as hair care centers, optical services and McDonald's Restaurants.

Associates help keep products moving from conveyor to loading dock at a Wal-Mart Distribution Center

"The Supercenters were the logical next step for Wal-Mart. Our stores have been expanding and adding assortments in order to provide more convenience for customers. General merchandise remains the core, to which additional goods and services — like groceries — have been added," says Nick White, Wal-Mart executive vice-president, Supercenter Division.

Since the first Wal-Mart Supercenter opened in 1988 in Washington, Mo., more than 250 have been added in 22 states and 4 countries. For fiscal 1997, another 110 or so are expected to open. Sales in this division nearly doubled each year over the last three years.

Under the banner of low prices, a customer moves through a refrigerated section in a Supercenter grocery department.

Wal-Mart's success has gained the attention of Wall Street analysts, who are describing Wal-Mart Supercenters as the most powerful concept in retailing today. But, if you ask the people at Wal-Mart, they will insist that Supercenters are just the latest example of how the company satisfies customers.

Strength in Roots

While Supercenters will play a key role in Wal-Mart's future, the company's roots remain the small stores, and their performance will continue to contribute to the growth of the company. Probably no commitment goes deeper than Wal-Mart's commitment to small town America — where Sam and Bud Walton first brought mass merchandising in the late 1950s and early 1960s. These small, rural markets, where customers know the value of both local heritage and convenient commerce, are as viable today as they were in the company's beginnings.

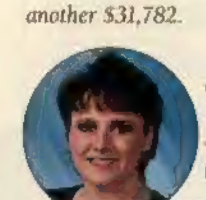
These Wal-Marts are enjoying a dramatic resurgence. Since late in 1994, when Wal-Mart realigned these stores in a new group called the Hometown division, small store profit growth has outpaced the larger stores.

David Jackson, senior vice president, Hometown Store Division, who cut his teeth in the small Wal-Marts of Alabama, is the architect of

Three for EDLP

Every Day Low Pricing is a state of mind at Wal-Mart, and it results in lots of creativity among Associates who try to find ways to lower costs so that savings can be passed along to customers. Associates take special pride in developing cost-reduction ideas that work, and Wal-Mart recognizes these Associates in various internal events and publications. Hundreds of these ideas are received from Associates throughout the Wal-Mart system each year. Some examples of these Associates and their winning ideas follows:

Wal-Mart's Bertha Crumley watched a vendor stacking carpet rolls on a pallet, and thought there might be a way to rearrange the carpet rolls so that the pallets could be double-stacked on the truck. This idea allowed twice as much carpet to be loaded onto each truck, saving $229,000 in shipping costs. But Bertha wasn't finished. Looking at the budgeted rates for carriers, Bertha noticed that some committed carriers charged rates that were above the budgeted amount. Bertha successfully worked to remove some of these higher charges, saving another $31,782.



Diana Lovell of Wal-Mart has a keen eye for savings, and found that product reports for certain sporting good items were being unnecessarily duplicated. This idea saved the company $736,000 per year.

SAM'S Clubs' Mike Lucy found a "gold mine" in laser printer toner by trying a simple procedure: turning down the toner control button. This simple idea saved SAM'S $250,000.

While cost reduction is just talked about in some corporations, it's an ongoing program at Wal-Mart and one of the reasons it has always been able to assert: "We Sell for Less."

this realignment. The hometown stores have flourished with a "small store" approach to merchandising and operations. Seasonal merchandise, which sells faster in small towns, now receives more floor space. Customized assortments are developed in response to regional needs. A store in a lake city, for example, will feature a larger stock of boating and fishing equipment. Likewise, in ranch country stores are heavily stocked with items essential to the ranching trade.

With the mandate to make these small stores more profitable and better suited to rural market customers, Jackson and his team downsized display racks, arranged for smaller minimum orders and reduced pack sizes for small stores.

The Power of Associates

The personal touch that has been so much of Wal-Mart's culture from the beginning is similar to family traditions that are passed down over the years. Longtime Associates, many of whom still remember inspirational store visits from Sam Walton, share the company's values with newer Associates.

From the friendly store greeters to the cheery and helpful Associates throughout the store, customers "connect" to their Wal-Mart store or SAM'S Club. It's what Wal-Mart might call "Total Customer Service," not only helping the customer, but engaging them.

The preservation of this special culture — something that all growing corporations attempt to do — receives an added lift from Wal-Mart's Computer-Based Learning system (CBL), a computerized training program available in every store.

While this teaching tool has the expected array of information to help Associates be more informed about their jobs and the store's operations, it also helps to build a service-oriented work force by reiterating the "rules" that are a part of the Wal-Mart tradition. The Customer is the Boss. The Sundown Rule (Get it done by Sundown!). The 10-foot Rule.

Through CBL, Associates can even experience audio and video messages from Sam Walton. Here, in an office in the back of the store in Alton, Ill., or Boise, Idaho, or Tallahassee, Fla., they can still hear the inspiring words of Sam Walton:

"There's absolutely no limit to what plain, ordinary working people can accomplish if they're given the opportunity and the encouragement and the incentive to do their best."

Wal-Mart Stores Division
(includes Supercenters)
Sales: $66.3 billion
Operating Profit: $5 billion
*Before interest, taxes & unallocated corporate overhead

1996 End of Year Store Counts

	Wal-Mart Stores	Supercenters	SAM'S Clubs
Alabama	65	11	8
Alaska	3		3
Arizona	31		6
Arkansas	58	19	4
California	88		26
Colorado	34	2	9
Connecticut	6		3
Delaware	2		1
Florida	116	16	34
Georgia	79	6	15
Hawaii	4		1
Idaho	7		1
Illinois	101	3	24
Indiana	66	6	14
Iowa	45		6
Kansas	43	3	5
Kentucky	60	8	5
Louisiana	62	13	9
Maine	19		3
Maryland	19		10
Massachusetts	23		5
Michigan	39		21
Minnesota	33		9
Mississippi	47	10	4
Missouri	81	27	11
Montana	6		1
Nebraska	13	4	3
Nevada	9		2
New Hampshire	15		4
New Jersey	14		6
New Mexico	19		3
New York	46	4	17
North Carolina	82	1	13
North Dakota	8		2
Ohio	70		22
Oklahoma	61	17	6
Oregon	17		
Pennsylvania	47	5	14
Rhode Island	4		1
South Carolina	49	3	8
South Dakota	8		1
Tennessee	69	19	9
Texas	185	56	51
Utah	13		5
Vermont	1		
Virginia	43	4	10
Washington	13		2
West Virginia	12	2	3
Wisconsin	51		11
Wyoming	9		2
TOTAL U.S.A.	1,995	239	433
Argentina		1	2
Brazil		2	3
Mexico	85*	13	28
Puerto Rico	7		4
CANADA			
Alberta	14		
British Columbia	12		
Manitoba	9		
New Brunswick	4		
Newfoundland	7		
Nova Scotia	6		
NW Territories	1		
Ontario	48		
Quebec	22		
Saskatchewan	8		
TOTAL CANADA	131		
GRAND TOTAL	2,218	255	470

*Includes 3 Superamas, 25 Bodegas, 4 Aurreras, 48 Vips and 5 Suburbias

The Story of Wal-Mart Begins Again

Avellaneda, on the outskirts of Buenos Aires, Argentina, and Rogers, Arkansas, have something in common. Both are home to their country's first Wal-Mart. But while Sam Walton's grand opening celebration in 1962 attracted several hundred curious shoppers, the scene last November in Avellaneda was very different.

Thousands lined up outside the Supercenter in sweltering heat to experience low prices that were unheard of in the Argentina retail industry. (In true Sam Walton fashion, many of the store's 700 associates handed bottled water, soft drinks and apples to customers outside.)

"Our new international customers are showing us how powerful the Wal-Mart name and culture can be," says Bob L. Martin, president and chief executive officer of Wal-Mart International. "The Every Day Low Price promise is unique and gives us an immediate, strategic advantage against established chains in these markets — even when our operation is only one SAM'S Club and a Supercenter."

The story of Wal-Mart is just beginning in Argentina, Brazil and Asia. Brazil's first Supercenter (with joint venture partner Lojas Americanas) opened two weeks after Avellaneda and set yet another grand opening record. The first Wal-Mart Supercenter in Indonesia and the first Supercenter and SAM'S Club in China are scheduled to open in 1996.

In these countries, a "one store at a time" expansion strategy is ensuring a focused start. From a core of several well-performing SAM'S Clubs and Supercenters, Wal-Mart International can trigger a more aggressive expansion when the opportunity strikes.

Opportunity knocked two years ago in Canada, when Wal-Mart purchased 122 Woolco stores and immediately became a major retailer there. The stores were remodeled and the former Woolco associates were rejuvenated, doubling sales per square foot. After only two years in Canada, Wal-Mart is profitable and commands more than a 40% share of the discount retail market — twice the share that was held by Woolco.

Operations in Mexico and Puerto Rico also are profitable. In Mexico, Wal-Mart's joint venture with CIFRA S.A. de C.V. has become the country's largest retailer. Wal-Marts and SAM'S Clubs there are solidly positioned to reap the rewards of a recovering economy.

"We are on our way to becoming a global retailer," Martin says.

Well on the way. Wal-Mart entered the international market five years ago by opening stores and clubs in Mexico. Today, it is the No. 1 retailer north and south of U.S. borders. And the story is just beginning in Asia and South America.

International Division
Sales: $3.7 billion
Operating Loss: $16 million

LETTERS TO THE EDITOR

Wal-Mart has been an economic boon to our area, providing good jobs at competitive wages for many local residents. The store has also given a boost to our retail industry by stemming the flow of local citizens who were leaving the area to shop. For example, Wal-Mart has dramatically benefited the Wishkah Mall in Aberdeen — their presence has helped attract shoppers to the other tenants in the mall and the increase in shoppers has prompted a significant investment in improvements to the mall.

Chuck Gurrad, Mayor
Aberdeen, Washington

We took my mother, who is a senior citizen, to the Wal-Mart in Turlock to buy a cordless phone. Linda Canada was more than willing to help and share her knowledge and expertise. She was extremely patient in explaining all the features of the phone we selected. Our next problem was programming the memory numbers. We live over 100 miles away and could not wait for the 18 hour battery charge. Linda offered and ended up coming to my mother's home, to program the phone. We really appreciated all the time and extra effort Linda took with us. She really went above and beyond on more than one occasion.

JoAnn and Gene Tognetti
Orangevale, California

On the evening of Dec. 21, I returned home after work to find that my house had been broken into. They stole many personal items and all the Christmas presents I had bought for my family. I was devastated. I went to Wal-Mart in Ankeny to try to replace some of the stolen gifts. With a very limited budget and only a few hours to shop, I was very stressed and losing hope of a joyous Christmas. I asked one of your associates for help in finding a specific type of blanket. Her name was Lavina. We could not find one close to what I was looking for. Lavina was so wonderful. She comforted me and tracked me down in the store and gave me a $25 gift certificate to help cover the cost of my gifts. Then, of all the unbelievable things, she gave me a beautiful blanket that she had bought. This wonderful lady restored my faith in people and helped restore my Christmas spirit.

Brenda Smuck
Polk City, Iowa

And from the Analysts...

"Consumers today are shopping at retailers that provide the best combination of price, convenience, assortment, quality and value. Fulfilling all of these requirements, the Supercenter concept is currently being heralded as the retail concept of the 1990s, the major retail story of the 1990s, and retailing's major growth vehicle of the 1990s. Is this an exaggeration? We think not...by the year 2000 (and probably sooner), we expect Wal-Mart to account for 60% or more of all Supercenter volume and, as such, Wal-Mart should be the dominant Supercenter factor not only in the United States but also in the world."

Donald T. Spindel,
A.G. Edwards & Sons, Inc.
January, 1996

We believe the Wal-Mart Supercenter is the most exciting retailing concept on the landscape at this juncture. Wal-Mart has created the most successful general merchandise endeavor in the history of retailing, and by layering on food, it is creating the potentially most important one-stop shopping experience ever.

Margaret A Gilliam, CFA
CS First Boston
December, 1995

Based on an anticipated improved retailing environment in 1996, additional market share gains by the discount store division, continued improvement at the SAM'S Clubs division, and the aggressive expansion of the Supercenter division, we look for another strong gain in earnings per share in 1996.

Jeffrey M. Feiner, CFA
Salomon Brothers
November, 1995

Wal-Mart continues to invest in technology leadership. Describing its advantages over competitors does not do justice to the extent that Wal-Mart's technological advantages give it in stock positions, assortment, labor scheduling, distribution and merchandising-by-store.

Gary Balter
Donaldson, Lufkin & Jenrette
October, 1995

SAM'S Division

Sales: $19.1 billion

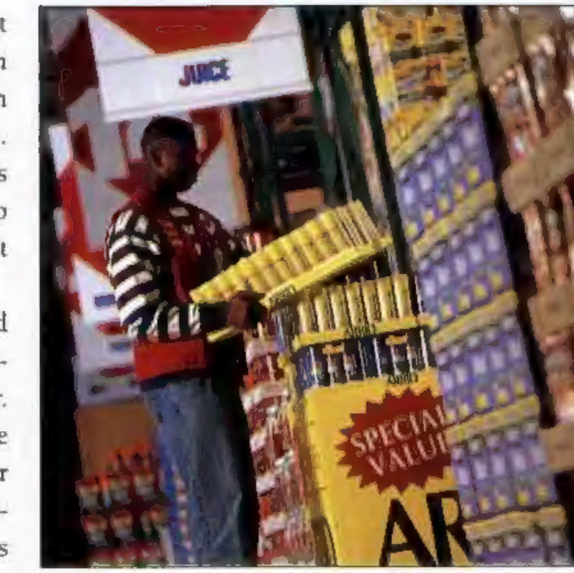
Operating Profit: $800 million

"WE'RE REFOCUSING THE MEMBERSHIP WAREHOUSE CONCEPT, THE PRICES ARE SPECTACULAR AND THE MERCHANDISE IS DISTINCT FROM WHAT CUSTOMERS WILL FIND AT WAL-MART."

—JOE HARDIN

Volume buying: A customer, right, considers a purchase in a SAM'S Club at Springdale, Ark., while partner Tammy Baker, (below) checks inventories and partner Mike Belleton, (upper right) stocks shelves.

Sharper Focus at SAM'S Clubs



Why do you think they call them SAM'S Clubs anyway? In a move that would bring a smile to Sam Walton's lips, Wal-Mart's membership warehouse division is going back to the basics with lower prices and more merchandising excitement.

"We're refocusing the membership warehouse concept," says Joe Hardin, president and chief executive officer for SAM'S Clubs. "The prices are spectacular and the merchandise is distinct from what customers will find at Wal-Mart."

Inventory costs are falling at the same time that merchandise variety is growing. Impossible, you say? Here's how it works: A SAM'S Club today stocks 700 fewer items but rotates one-fourth of its inventory every quarter, which brings about 1,000 new items into the club on a regular basis.

The new, slimmed-down assortment of 3,800 items is triggering a wave of efficiencies and merchandising improvements that are adding value to a SAM'S membership.

Now there is extra room to merchandise products on their own pallet-sized displays — a proven eye-grabber that increases sales. And the benefits go on: The volume increase brings a lower unit price from the vendor partner. Restocking the display is as simple and efficient as rolling in a new pallet on the forklift.

The sum of these savings creates a new, lower price point that increases membership value and member satisfaction.

Despite the difficult retail environment of 1995, SAM'S Clubs achieved a double-digit percentage increase in operating profits, which grew to $800 million. Membership growth was strong, and membership renewal was the healthiest in three years.

SAM'S strengthened relationships with business members last year. Merchandise sets were created for large member groups such as foodservice companies. Results were spectacular: Sales to foodservice businesses rose almost 15% while visits to the clubs jumped by 16%. Convenience store operators and vending companies purchased 19% and 13% more from SAM'S, respectively, last year.

It's never been easier to purchase from SAM'S. Businesses can save time by phoning or faxing in their orders; partners will do the shopping for them. Niche businesses like day care centers can order swing sets from specialty catalogs at the clubs. Many clubs offer early morning hours that meet the needs of caterers and other early risers. A new SAM'S Club credit program lets members charge purchases using their membership card.

This year, Advantage members will notice irresistible rock-bottom prices on the everyday items they need, which is a new merchandising strategy that will bring families into the clubs more often. SAM'S Club also plans to mail newsletters to Advantage members to highlight merchandise — a marketing first for SAM'S.

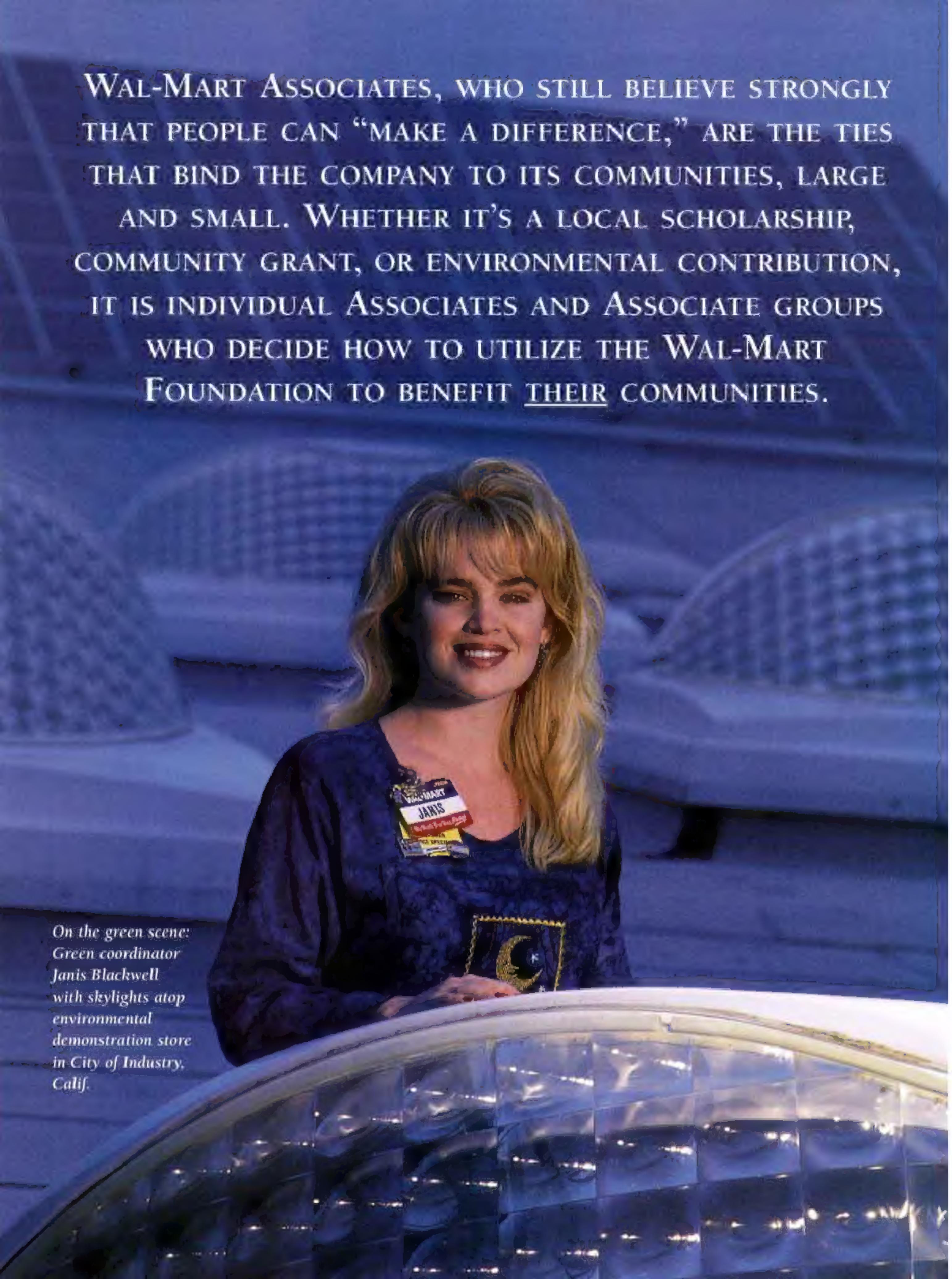
"The thrill of merchandising is back at SAM'S Clubs," Hardin says. "Our assortment has never been better tailored to our members' needs, and the renewed commitment to the lowest possible price point on items is definitely being noticed and appreciated by our members."

SAM'S Club sales this year should top $20 billion, which would easily rank the division among the top 50 corporations in America if SAM'S were a stand-alone company.

"SAM'S Clubs has the strongest buying power in our industry because of the relationship with Wal-Mart," says Hardin. "This gives us an important advantage over other clubs and even category killers."

Hardin recognizes that this advantage is meaningless without the right game plan and execution, and he's confident SAM'S Club has it.

WAL-MART ASSOCIATES, WHO STILL BELIEVE STRONGLY THAT PEOPLE CAN "MAKE A DIFFERENCE," ARE THE TIES THAT BIND THE COMPANY TO ITS COMMUNITIES, LARGE AND SMALL. WHETHER IT'S A LOCAL SCHOLARSHIP, COMMUNITY GRANT, OR ENVIRONMENTAL CONTRIBUTION, IT IS INDIVIDUAL ASSOCIATES AND ASSOCIATE GROUPS WHO DECIDE HOW TO UTILIZE THE WAL-MART FOUNDATION TO BENEFIT THEIR COMMUNITIES.



On the green scene: Green coordinator Janis Blackwell with skylights atop environmental demonstration store in City of Industry, Calif.

PEOPLE MAKING THE DIFFERENCE

COMMUNITY SUPPORT FROM THE GROUND UP

Even Wal-Mart's reputation as the largest corporate donor to the Children's Miracle Network Telethon is the result of thousands of Associates collecting dimes and dollars throughout the country in locally based efforts to help children with life-threatening diseases.

"If there is a constant to our community involvement, it is that we encourage all of our Associates to be active in their communities and empower the store managers to disburse charitable funds to their communities. So when Wal-Mart is helping a community, it's Wal-Mart the store and the Associates of those stores," says Don Soderquist, Wal-Mart vice chairman and chief operating officer.

On the Green Scene

One example of community support is the way Wal-Mart has responded to customers' concerns about the environment by stepping up its commitment to each store community.

Associates across the country roll up their sleeves and get involved in local clean-up efforts. Wal-Mart stores and SAM'S Clubs designate a "Green Coordinator" to spearhead these initiatives and ensure that the store is being responsive to the "green" needs specific to its community. The Green Coordinators do everything from overseeing adopt-a-highway projects to organizing educational field trips and the planting of trees and flowers. Some stores establish recycling programs by putting bins in parking lots to assist local recycling centers. In 1995, these store activities were supplemented by more than $1 million in environmental grants from Wal-Mart.

Wal-Mart is always on the lookout for better ways to build and operate its stores and save energy.

The company completed its third environmental demonstration store in City of Industry, Calif., this year. At this store, a unique combination of solar power, skylights and an efficient heating/cooling system enables the all-electric store to use half the energy of a typical retail store. The savings are enough to power 200 houses for one year and dramatically reduce normal pollution levels.

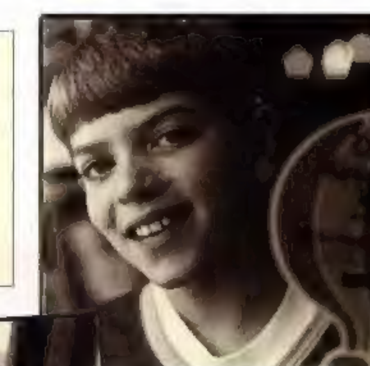
Helping Education

Wal-Mart also recognizes the need for a well-trained, well-educated work force.

"We support community members' educational pursuits through scholarships and contributions to schools," says Coleman Peterson, senior vice president, People Division.

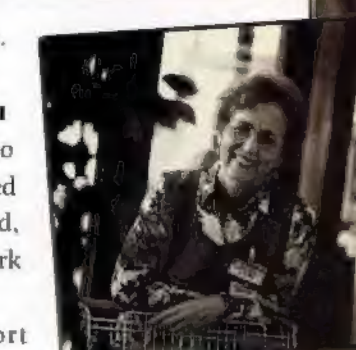
One example of this support is the Competitive Edge Scholarship Fund. This fund was created by Sam Walton four years ago to help defray the cost of a college education in science and technology — two fields that Wal-Mart considers important for America's long-term competitiveness.

Today, more than 420 college students at 143 educational institutions have received four-year, $20,000 scholarships. Thanks to vendor partners who contribute to the fund, and the sale of



DANIEL STRATMAN,
CMN POSTER CHILD IN 1995

"Children's Miracle Network has been a light in our life. I encourage the Wal-Mart associates that their hard work does make a difference in kids' lives." — Susan Stratman, Daniel's mother



JUNE DAY
ASSOCIATE, JAY, OKLA.

"We work together with our community so that they come to us when they need us. They know we will help them."

NANCY BEAM
ASSOCIATE, ST. CHARLES, MO.

"I enjoy helping organizations in the community, knowing that the money we raise will help kids in the community."

Sam's American Choice products, it has grown from $1.6 million in 1992 to $3.6 million in 1995.

Wal-Mart stores also award separate $1,000 scholarships to college-bound high school seniors in their communities.

Nurturing Community Growth

"Associates have a real stake in the improvement of life in their neighborhoods," Peterson says. "It's the right thing to do, but it's also consistent with one of our basic business principles, putting customers first, because our customers benefit as we improve our communities."

Wal-Mart stores and SAM'S Clubs can work with local leaders to apply for a Wal-Mart Economic Development Grant. These grants are used to fund special projects that help towns attract new businesses and create new jobs. Wal-Mart Associates also are generous contributors to the United Way with contributions last year totaling $9.6 million.

LISA SEAY
ASSOCIATE, BENTONVILLE, ARK.
"We're a family. It's the best way to work together to make the best community even stronger. As Wal-Mart associates, we are all connected to the community."

HERNAN RAMIREZ
UCLA STUDENT
"Wal-Mart's Competitive Edge Scholarship goes a long way in helping me to secure my future."

Associates participate in fundraisers for deserving local, non-profit organizations. SAM'S Club #6408 in Santa Fe sponsored a car show to raise $9,400 for Santa Fe Special Olympics. SAM'S Club #8144 in Atlantic City organized a charity softball game against the New York Giants football team to benefit the Multiple Sclerosis Association. SAM'S Club #8165 in Sioux Falls also has been busy. The Associates held a fashion show, candy and bake sales, and a chili supper to raise $4,200 for the Make-A-Wish Foundation.

Recognizing People Making A Difference

"Being a good neighbor requires a broad-based commitment to the community," says Suzanne Allford, senior vice president, Marketing and Administration for SAM'S Clubs. "We work hard to offer the human and financial resources to help solve community problems. But it's our Associates and Partners, not the Home Office, who drive these programs and, in the process, serve their families, their communities, and their customers."

CODE ★ ADAM : Protecting Our Children

As the parent of a child who was tragically lost in an abduction and murder, I know how difficult it can be to deal with that loss and how important it is to address child safety. I give Wal-Mart a lot of credit for dealing with one of the most frightening aspects of child abduction. What happens when your child is missing during an outing in a public place?

Wal-Mart has a unique child safety measure that they named in tribute to my son Adam, who was abducted from a shopping mall and murdered in 1981. It's called Code: Adam. All Wal-Mart stores issue a Code: Adam announcement over the public address system when a parent reports a missing child. A brief description of the child is provided to all Associates, who immediately stop their regular work to look for the child. Store personnel also monitor all exits to ensure that the child does not leave the store. Within 10 minutes, the store will notify the local police department for assistance if the child is not found, or if the child is accompanied by someone other than a parent or guardian.

I am deeply touched that Wal-Mart has named this important safety program after my beautiful son.

The program works. In Crawfordsville, Ind., Code: Adam helped prevent the attempted abduction of a three-year-old girl by a convicted child abductor, and it continues to return thousands of children to their parents. Approximately 750 Code: Adam announcements are issued in Wal-Mart stores each week. Often, a child has simply wandered away from his parents and into the toy department. But in every case, it's a reassuring program for any parent.

Wal-Mart has provided instructions to other retailers on how this safety measure can be implemented. I commend Wal-Mart for what they're doing, and I wish every retailer in the United States would institute a program like Code: Adam.

John Walsh

John Walsh
National advocate for crime victims and host of "America's Most Wanted"

WAL-MART ANNOUNCES NEW SHAREHOLDER SERVICES

Wal-Mart Associates have for years enjoyed the benefits of purchasing shares of Wal-Mart stock directly through the company and automatically reinvesting the dividends in additional shares. The company has developed a similar program for all current and future shareholders and expects to receive regulatory approval shortly.

Under this new program, anyone who receives a dividend check directly from the company will be automatically eligible to participate in the NO COST dividend reinvestment plan and will receive program materials and enrollment forms in the mail. Non-shareholders as well as shareholders holding their stock certificates through a broker may request information by calling 1-800-438-6278 (800-GET-MART).

Participants will be able to purchase shares of Wal-Mart stock through the direct purchase plan, and non-shareholders may join the plan with an initial cash investment of as little as $250. Stock purchases of $50 or more ($25 if sent electronically) may be made at any time up to a maximum of $150,000 annually. Each buy and sell transaction will have a small fee but significantly below what it would cost to purchase or sell through a broker. This type of program is ideal for the small investor who might otherwise avoid making small stock purchases because of brokerage fees.

Chairman of the Board Rob Walton comments, "Dividend reinvestment and direct purchase have been the most requested services from our shareholders but have always been cost-prohibitive. Now we have an economical solution for both shareholders and the company."

Other features of the program include: Share safekeeping at no cost; shares can be transferred or gifts of common stock can be made through the plan at no cost; and statements are available listing all year-to-date transactions.

Value for the customer has always been Wal-Mart's mission. Once the program has been approved, shareholders can enjoy the value of these low-cost services.

Watch for future announcements regarding this new program.

Did you Know?

- **1**
  Position of Wal-Mart as a retailer.
- **1.13**
  Pairs of underwear sold annually in a Wal-Mart store or SAM'S Club for every man, woman and child in America.
- **2**
  Number of seconds between every sale of a Barbie Doll in a Wal-Mart store.
- **5**
  Pounds of cardboard recycled by Wal-Mart each year for every man, woman and child in America.
- **12**
  Position of Wal-Mart among largest companies in the world (measured in revenue).
- **33**
  Percentage of Wal-Mart's U.S. market share of Barbie Dolls and coffee filters sold in a year.
- **34**
  Number of merchandise bags used in Wal-Mart stores per year for every man, woman and child in America.
- **50**
  Number of U.S. states in which Wal-Mart operates!
- **241**
  Number of Wal-Marts in Texas (including Supercenters).
- **307**
  Dollars of sales per total square feet in Wal-Mart stores and SAM'S Clubs.
- **360**
  Dollars spent in Wal-Mart per year for every man, woman and child in America.
- **2,234**
  Number of Wal-Mart stores in the U.S. (including Supercenters).
- **35,561**
  Trailer loads of Ol' Roy dog food annually shipped.
- **675,000**
  Number of the BEST ASSOCIATES in the world!
- **2,550,000**
  Number of bicycles sold each year by Wal-Mart.
- **60,000,000**
  Approximate number of customers visiting a Wal-Mart each week.
- **227,592,400**
  Number of clothes pins sold each year by Wal-Mart.
- **600,000,000**
  Number of cans of Sam's Choice beverages sold annually.
- **1,851,000,000**
  Number of coffee filters sold by Wal-Mart each year.
- **2,293,000,000**
  Number of Wal-Mart shares outstanding.

All totals are as of January 31, 1996.

11-YEAR FINANCIAL SUMMARY

(Dollar amounts in millions except per share data)	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Operating Results											
Net sales	**$93,627**	$82,494	$67,344	$55,484	$43,887	$32,602	$25,811	$20,649	$15,959	$11,909	$8,451
Net sales increase	**13%**	22%	21%	26%	35%	26%	25%	29%	34%	41%	32%
Comparative store sales increase	**4%**	7%	6%	11%	10%	10%	11%	12%	11%	13%	9%
Other income — net	**1,122**	918	641	501	403	262	175	137	105	85	55
Cost of sales	**74,564**	65,586	53,444	44,175	34,786	25,500	20,070	16,057	12,282	9,053	6,361
Operating, selling, and general and administrative expenses	**14,951**	12,858	10,333	8,321	6,684	5,152	4,070	3,268	2,599	2,008	1,485
Interest costs											
Debt	**692**	520	331	143	113	43	20	36	25	10	2
Capital leases	**196**	186	186	180	153	126	118	99	89	76	55
Provision for income taxes	**1,606**	1,581	1,358	1,171	945	752	632	488	441	396	276
Net income	**2,740**	2,681	2,333	1,995	1,609	1,291	1,076	838	628	451	327
Per share of common stock											
Net income	**1.19**	1.17	1.02	.87	.70	.57	.48	.37	.28	.20	.15
Dividends	**.20**	.17	.13	.11	.09	.07	.06	.04	.03	.02	.02
Financial Position											
Current assets	**$17,331**	$15,338	$12,114	$10,198	$ 8,575	$ 6,415	$ 4,713	$ 3,631	$ 2,905	$ 2,353	$1,784
Inventories at replacement cost	**16,300**	14,415	11,483	9,780	7,857	6,207	4,751	3,642	2,855	2,185	1,528
Less LIFO reserve	**311**	351	469	512	473	399	323	291	203	154	140
Inventories at LIFO cost	**15,989**	14,064	11,014	9,268	7,384	5,808	4,428	3,351	2,652	2,031	1,388
Net property, plant, and equipment and capital leases	**18,894**	15,874	13,176	9,793	6,434	4,712	3,430	2,662	2,145	1,676	1,303
Total assets	**37,541**	32,819	26,441	20,565	15,443	11,389	8,198	6,360	5,132	4,049	3,104
Current liabilities	**11,454**	9,973	7,406	6,754	5,004	3,990	2,845	2,066	1,744	1,340	993
Long-term debt	**8,508**	7,871	6,156	3,073	1,722	740	185	184	186	179	181
Long-term obligations under capital leases	**2,092**	1,838	1,804	1,772	1,556	1,159	1,087	1,009	867	764	595
Shareholders' equity	**14,756**	12,726	10,753	8,759	6,990	5,366	3,966	3,008	2,257	1,690	1,278
Financial Ratios											
Current ratio	**1.5**	1.5	1.6	1.5	1.7	1.6	1.7	1.8	1.7	1.8	1.8
Inventories/working capital	**2.7**	2.6	2.3	2.7	2.1	2.4	2.4	2.1	2.3	2.0	1.8
Return on assets*	**8.3%**	10.1%	11.3%	12.9%	14.1%	15.7%	16.9%	16.3%	15.5%	14.5%	14.8%
Return on shareholders' equity*	**21.5%**	24.9%	26.6%	28.5%	30.0%	32.6%	35.8%	37.1%	37.1%	35.2%	33.3%
Other Year-End Data											
Number of domestic Wal-Mart Stores	**1,995**	1,985	1,950	1,848	1,714	1,568	1,399	1,259	1,114	980	859
Number of domestic Supercenters	**239**	147	72	34	10	9	6	3	2		
Number of domestic SAM'S Clubs	**433**	426	417	256	208	148	123	105	84	49	23
International units	**276**	226	24	10							
Average Wal-Mart store size	**91,100**	87,600	83,900	79,800	74,700	70,700	66,400	63,500	61,500	59,000	57,000
Number of associates	**675,000**	622,000	528,000	434,000	371,000	328,000	271,000	223,000	183,000	141,000	104,000
Number of shareholders of record	**244,483**	259,286	257,946	180,584	150,242	122,414	79,929	80,270	79,777	32,896	21,828

*On beginning of year balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Revenues

Sales for the three fiscal years ended January 31, and the respective total and comparable store percentage increases over the prior year were:

Fiscal Year	Sales (in millions)	Total Company Increases	Comparable Store Increases
1996	$93,627	13%	4%
1995	82,494	22%	7%
1994	67,344	21%	6%

The sales increase of 13% in fiscal 1996 compared with fiscal 1995 was attributable to the Company's expansion program and comparative store sales increases of 4%. Expansion for fiscal 1996 included the opening of 92 Wal-Mart stores, 92 Supercenters (including the conversion of 80 Wal-Mart stores), 9 SAM'S Clubs and 50 International units. International sales accounted for approximately 2.1% of the sales increase with the remainder primarily attributed to Wal-Mart stores and Supercenters. SAM'S Clubs sales as a percentage of total sales decreased from 22.9% in fiscal 1995 to 20.4% in fiscal 1996.

The sales increase of 22% in fiscal 1995 compared with fiscal 1994 was attributable to the Company's domestic expansion of 109 Wal-Mart stores, 75 Supercenters (including the conversion of 69 Wal-Mart stores), and 21 SAM'S Clubs; comparative store sales increases of 7%; and the entry into the Canadian market through the purchase of 122 stores from Woolworth Canada, Inc., a subsidiary of Woolworth Corporation. SAM'S Clubs sales as a percentage of total sales increased by 1.1%, part of which was attributable to the PACE units acquired in the fourth quarter of fiscal 1994. Canadian store sales accounted for 1.5% of total sales in fiscal 1995.

New Operating Locations	1996	1995	1994
Domestic units			
New Wal-Mart stores	92	109	141
New Supercenters	12	6	1
Wal-Mart stores relocated or expanded to Supercenters	80	69	37
New SAM'S Clubs	9	21	63
Acquired PACE Clubs			99
Total new domestic units	193	205	341
International units			
Acquired Canada Woolco stores		122	
Other new international units	50	80	14
Total new international units	50	202	14
Total new units	243	407	355

Costs and Expenses

Cost of sales as a percentage of sales increased .1% in both fiscal 1996 and fiscal 1995 when compared to the preceding year. The change in fiscal 1996 is comprised of an increase of approximately .3% due to a larger percentage of consolidated sales from departments within Wal-Mart stores which have lower markon percents, and to the Company's continuing commitment to always providing low prices. This increase is offset because the SAM'S Clubs comprised a lower percentage of consolidated sales in 1996 at a lower contribution to gross margin than the stores. The increase in fiscal 1995 is primarily due to a larger percentage of consolidated sales attributable to SAM'S Clubs resulting in part from the addition of the PACE Clubs. The cost of sales in SAM'S Clubs is significantly higher as a percentage of sales than in Wal-Mart stores due to a lower markon on purchases.

Operating, selling, and general and administrative expenses as a percentage of sales increased .4% and .2%, respectively, in each of the last two fiscal years when compared to the previous year. Approximately .2% of the increase in fiscal 1996 was due to increases in payroll and related benefit costs. The remainder of the increase resulted primarily from a lower percentage of sales attributable to SAM'S Clubs and a higher percentage of sales attributable to international operations. SAM'S Clubs operating, selling, and general and administrative expenses as a percentage of sales are lower than the Wal-Mart stores and Supercenters while international expenses are slightly higher. The increase in fiscal 1995 was primarily attributable to the acquisition of the Canadian stores and higher payroll and related benefit costs.

Statement of Financial Accounting Standard (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" was issued in March 1995. The statement requires entities to review long-lived assets and certain intangible assets in certain circumstances, and if the value of the assets is impaired, an impairment loss shall be recognized. This statement will be effective for the Company's fiscal year ending January 31, 1997. The Company's existing accounting policies are such that this pronouncement will not have a material effect on the Company's financial position or results of operations.

"Accounting for Stock-Based Compensation," SFAS No. 123, was issued in October 1995 and will be effective for the Company's fiscal year ending January 31, 1997. The statement relates to the measurement of compensation of stock options issued to employees. The statement gives entities a choice of recognizing related compensation expense by adopting a new fair value method determination or to continue to measure compensation using the former standard. If the former standard for measurement is elected, SFAS No. 123 requires supplemental disclosure to show the effects of using the new measurement criteria. The Company intends to continue using the measurement prescribed by the former standard, and accordingly, this pronouncement will not have an effect on the Company's financial position or results of operations.

Interest Cost

Interest cost increased in fiscal 1996 and 1995 due to increased indebtedness and increased average short-term borrowing rates in each of the years. The increased indebtedness is due to the Company's expansion program. See Note 2 of Notes to Consolidated Financial Statements for additional information on interest and debt.

Income Taxes

The effective income tax rate was 37.0% and 37.1% in fiscal 1996 and 1995 respectively. See Note 4 of Notes to Consolidated Financial Statements for additional information on income taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

Cash Flow Information

Cash flow provided from operations was $2.4 billion in fiscal 1996. These funds combined with long-term borrowings of $1 billion and net short-term borrowings of $.7 billion were used to finance capital expenditures of $3.6 billion, to pay dividends, provide working capital, and to fund the operation of subsidiaries.

Borrowing Information

The Company had committed lines of credit of $1,900 million and informal lines totaling an additional $2,450 million with 35 banks which were used to support short-term borrowing and commercial paper. These lines of credit and their anticipated cyclical increases will be sufficient to finance the seasonal buildups in merchandise inventories and interim financing requirements for stores developed with sale/leaseback or other long-term financing objectives.

Favorable debt market conditions combined with the Company's ability to generate significant cash flows from operations have allowed the Company to aggressively expand during the past three years. In fiscal 1996, the Company borrowed $1 billion at interest rates ranging from 6 1/8% to 7% for terms of three to seven years. Although the Company has borrowed to support the expansion, debt and equity have increased proportionately during the past three years. The Company's debt (including obligations under capital leases) to equity ratio was .74:1 at the end of fiscal 1996 compared to .77:1 and .75:1 at the end of fiscal 1995 and 1994, respectively. In view of the Company's significant working capital, its consistent ability to generate working capital from operations and the availability of external financing, the Company foresees no difficulty in providing funds necessary to fulfill its working capital needs and to finance its estimated $3.5 billion capital expansion plan in fiscal 1997

Foreign Currency Translation

The Company has operations in Puerto Rico, Canada, and Argentina, and through joint ventures in Mexico and Brazil. All foreign operations are measured in their local currencies with the exception of Brazil, operating in a highly inflationary economy, which reports operations using U.S. dollars. All foreign operations as a group are insignificant to the Company's consolidated results of operations and financial position. The foreign currency translation adjustment of $412 and $256 million in fiscal 1996 and 1995, respectively, is primarily due to operations in Mexico. In fiscal 1995 the value of the peso dropped significantly in relation to the dollar and continued to decline in fiscal 1996. The Company continues to evaluate strategies to minimize the financial risk of currency devaluation. Although exposure to this risk exists, any further devaluation of the peso or other currencies should not significantly impact the Company's consolidated operations or financial position.

Expansion

Domestically, the Company plans to open 60 to 70 new Wal-Mart stores, and 100 to 110 Supercenters. Approximately 90 of the Supercenters will come from relocations or expansions of existing Wal-Mart stores. The Company also plans to open 10 new SAM'S Clubs and three distribution centers. International expansion includes 25 to 30 new Wal-Mart stores, Supercenters, and SAM'S Clubs in Argentina, Brazil, Canada, China, Indonesia, Mexico and Puerto Rico.

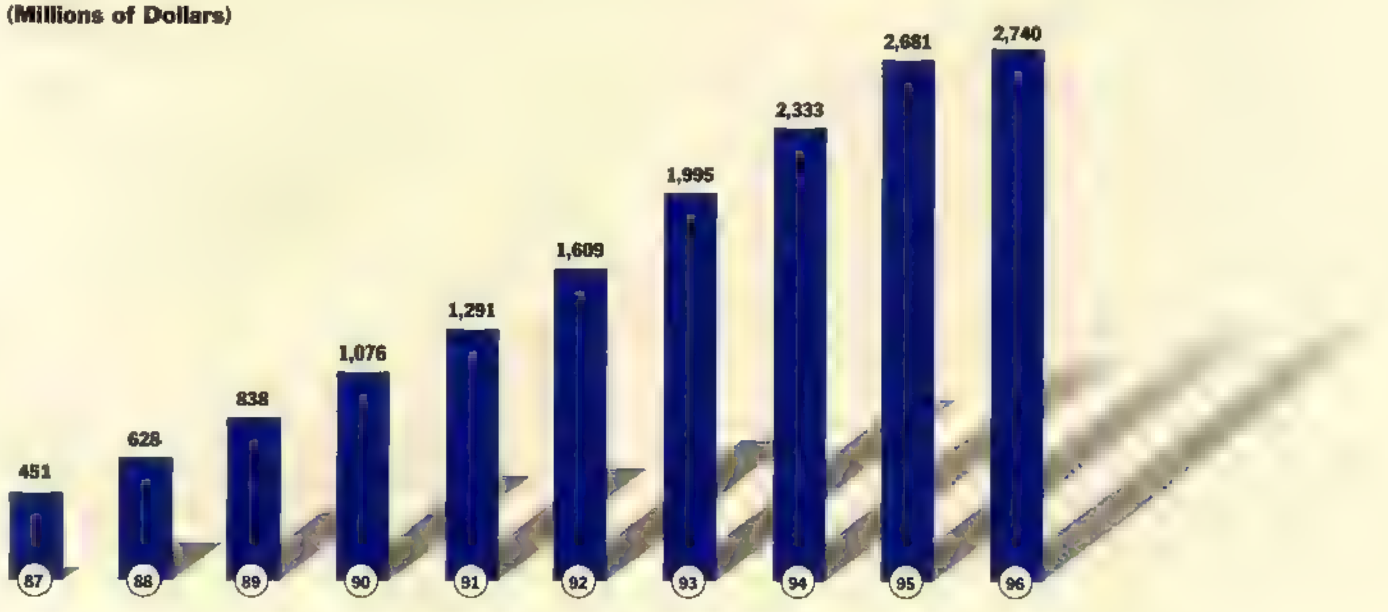
Total capital expenditures for 1997 are not expected to exceed $3.5 billion. The Company plans to primarily finance expansion with operating cash flows. The Company may also provide for cash needs through short-term borrowings backed up by the credit lines discussed above and also may sell $751 million of public debt utilizing shelf registration statements previously filed with the Securities and Exchange Commission to provide for other cash needs.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in millions except per share data) Fiscal years ended January 31,	1996	1995	1994
Revenues:			
Net sales	$93,627	$82,494	$67,344
Other income — net	1,122	918	641
	94,749	83,412	67,985
Costs and Expenses:			
Cost of sales	74,564	65,586	53,444
Operating, selling, and general and administrative expenses	14,951	12,858	10,333
Interest Costs:			
Debt	692	520	331
Capital leases	196	186	186
	90,403	79,150	64,294
Income Before Income Taxes	4,346	4,262	3,691
Provision for Income Taxes:			
Current	1,530	1,572	1,325
Deferred	76	9	33
	1,606	1,581	1,358
Net Income	$ 2,740	$ 2,681	$ 2,333
Net Income Per Share	$ 1.19	$ 1.17	$ 1.02

See accompanying notes

Net Income
(Millions of Dollars)



CONSOLIDATED BALANCE SHEETS

(Amounts in millions) January 31,	1996	1995
Assets		
Current Assets:		
Cash and cash equivalents	$ 83	$ 45
Receivables	853	900
Inventories		
At replacement cost	16,300	14,415
Less LIFO reserve	311	351
Inventories at LIFO cost	15,989	14,064
Prepaid expenses and other	406	329
Total Current Assets	17,331	15,338
Property, Plant, and Equipment, at Cost		
Land	3,559	3,036
Buildings and improvements	11,290	8,973
Fixtures and equipment	5,665	4,768
Transportation equipment	336	313
	20,850	17,090
Less accumulated depreciation	3,752	2,782
Net property, plant, and equipment	17,098	14,308
Property under capital leases	2,476	2,147
Less accumulated amortization	680	581
Net property under capital leases	1,796	1,566
Other Assets and Deferred Charges	1,316	1,607
Total Assets	$37,541	$32,819
Liabilities and Shareholders' Equity		
Current Liabilities:		
Commercial paper	$ 2,458	$ 1,795
Accounts payable	6,442	5,907
Accrued liabilities	2,091	1,819
Accrued federal and state income taxes	123	365
Long-term debt due within one year	271	23
Obligations under capital leases due within one year	69	64
Total Current Liabilities	11,454	9,973
Long-Term Debt	8,508	7,871
Long-Term Obligations Under Capital Leases	2,092	1,838
Deferred Income Taxes and Other	731	411
Shareholders' Equity:		
Preferred stock ($.10 par value; 100 shares authorized, none issued)		
Common stock ($.10 par value; 5,500 shares authorized, 2,293 and 2,297 issued and outstanding in 1996 and 1995, respectively)	229	230
Capital in excess of par value	545	539
Retained earnings	14,394	12,213
Foreign currency translation adjustment	(412)	(256)
Total Shareholders' Equity	14,756	12,726
Total Liabilities and Shareholders' Equity	$37,541	$32,819

See accompanying notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in millions except per share data)	Number of shares	Common stock	Capital in excess of par value	Retained earnings	Foreign currency translation adjustment	Total
Balance — January 31, 1993	2,300	$230	$527	$ 8,003	$ —	$ 8,760
Net income				2,333		2,333
Cash dividends ($.13 per share)				(299)		(299)
Other	(1)		9	(50)		(41)
Balance — January 31, 1994	2,299	230	536	9,987	—	10,753
Net income				2,681		2,681
Cash dividends ($.17 per share)				(391)		(391)
Foreign currency translation adjustment					(256)	(256)
Other	(2)		3	(64)		(61)
Balance — January 31, 1995	2,297	230	539	12,213	(256)	12,726
Net income				2,740		2,740
Cash dividends ($.20 per share)				(458)		(458)
Foreign currency translation adjustment					(156)	(156)
Other	(4)	(1)	6	(101)		(96)
Balance — January 31, 1996	2,293	$229	$545	$14,394	$(412)	$14,756

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions) Fiscal years ended January 31,	1996	1995	1994
Cash flows from operating activities:			
Net income	**$ 2,740**	$ 2,681	$ 2,333
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	**1,304**	1,070	849
Increase in accounts receivable	**(61)**	(84)	(165)
Increase in inventories	**(1,850)**	(3,053)	(1,324)
Increase in accounts payable	**448**	1,914	230
Increase in accrued liabilities	**29**	496	327
Other	**(227)**	(118)	(55)
Net cash provided by operating activities	**2,383**	2,906	2,195
Cash flows from investing activities:			
Payments for property, plant, and equipment	**(3,566)**	(3,734)	(3,644)
Acquisition of assets from PACE Membership Warehouses, Inc.	**—**		(830)
Acquisition of assets from Woolworth Canada, Inc.	**—**	(352)	—
Sale/leaseback arrangements	**—**	502	272
Investment in international operations	**(57)**	(434)	(198)
Other investing activities	**291**	226	(86)
Net cash used in investing activities	**(3,332)**	(3,792)	(4,486)
Cash flows from financing activities:			
Increase (decrease) in commercial paper	**660**	220	(14)
Proceeds from issuance of long-term debt	**1,004**	1,250	3,108
Dividends paid	**(458)**	(391)	(299)
Payment of long-term debt	**(126)**	(37)	(19)
Payment of capital lease obligations	**(81)**	(70)	(437)
Other financing activities	**(12)**	(61)	(40)
Net cash provided by financing activities	**987**	911	2,299
Net increase in cash and cash equivalents	**38**	25	8
Cash and cash equivalents at beginning of year	**45**	20	12
Cash and cash equivalents at end of year	**$ 83**	$ 45	$ 20
Supplemental disclosure of cash flow information:			
Income tax paid	**$ 1,785**	$ 1,390	$ 1,366
Interest paid	**866**	658	450
Capital lease obligations incurred	**365**	193	162

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

Segment information

The Company and its subsidiaries are principally engaged in the operation of mass merchandising stores located in all 50 states, Puerto Rico, Canada, and Argentina, and through joint ventures in Mexico and Brazil

Consolidation

The consolidated financial statements include the accounts of subsidiaries. Significant intercompany transactions have been eliminated in consolidation.

Cash and cash equivalents

The Company considers investments with a maturity of three months or less when purchased to be "cash equivalents."

Inventories

Inventories are stated principally at cost (last-in, first-out), which is not in excess of market, using the retail method for inventories in stores

Pre-opening costs

Costs associated with the opening of stores are expensed during the first full month of operations. The costs are carried as prepaid expenses prior to the store opening.

Interest during construction

In order that interest costs properly reflect only that portion relating to current operations, interest on borrowed funds during the construction of property, plant, and equipment is capitalized. Interest costs capitalized were $50 million, $70 million, and $65 million in 1996, 1995, and 1994, respectively.

Depreciation and amortization

Depreciation and amortization for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets For income tax purposes, accelerated methods are used with recognition of deferred income taxes for the resulting temporary differences.

Long-lived assets

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement No 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, which requires impairment losses to be recorded on long lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt Statement 121 in the first quarter of 1997 and, based on current circumstances, does not believe the effect of adoption will be material.

Operating, selling, and general and administrative expenses

Buying, warehousing, and occupancy costs are included in operating, selling, and general and administrative expenses.

Net income per share

Net income per share is based on the weighted average outstanding common shares. The dilutive effect of stock options is insignificant and consequently has been excluded from the earnings per share computations

Stock options

Proceeds from the sale of common stock issued under the stock option plans and related tax benefits which accrue to the Company are accounted for as capital transactions, and no charges or credits are made to income in connection with the plans.

Estimates and assumptions

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

2 Commercial Paper and Long-term Debt

Information on short-term borrowings and interest rates is as follows (dollar amounts in millions):

Fiscal years ended January 31,	**1996**	1995	1994
Maximum amount outstanding at month-end	**$3,686**	$2,729	$2,395
Average daily short-term borrowings	**2,106**	1,693	1,247
Weighted average interest rate	**5.9%**	4.4%	3.0%

On January 31, 1996, the Company had committed lines of credit of $1,900 million and informal lines of credit totaling an additional $2,450 million with 35 banks, which were used to support short-term borrowings and commercial paper. Short-term borrowings under these lines of credit bear interest at or below the prime rate.

Long-term debt at January 31 consists of (amounts in millions):

		1996	1995
8 5/8%	Notes due April 2001	**$ 750**	$ 750
5 1/8%	Notes due October 2005	**750**	750
9 1/10%	Notes due July 2000	**500**	500
5 1/2%	Notes due September 1997	**500**	500
6 1/8%	Notes due October 1999	**500**	500
5 1/2%	Notes due March 1998	**500**	500
6 1/2%	Notes due June 2003	**500**	500
7 1/4%	Notes due June 2013	**500**	500
7 1/2%	Notes due May 2004	**500**	500
7 8/10%-8 1/4%	Obligations from sale/leaseback transactions due 2014	**478**	484
7% – 8%	Obligations from sale/leaseback transactions due 2013	**318**	322
6 3/4%	Notes due May 2002	**300**	–
6 5/8%	Notes due March 2003	**250**	250
6 3/4%	Notes due October 2023	**250**	250
8%	Notes due September 2006	**250**	250
8 1/2%	Notes due September 2024	**250**	250
6 7/8%	Eurobond due June 1999	**250**	250
5 1/8%	Eurobond due October 1998	**250**	250
7%	Eurobond due April 1998	**250**	–
6 1/8%	Eurobond due November 2000	**250**	–
6 3/4%	Eurobond due May 2002	**200**	–
8%	Notes due May 1996	–	250
10 7/8%	Debentures due August 2000	–	100
	Other	**212**	215
		$8,508	$7,871

Long-term debt is unsecured except for $213 million which is collateralized by property with an aggregate carrying value of approximately $351 million. Annual maturities of long-term debt during the next five years are (in millions):

Fiscal years ending January 31,	Annual maturity
1997	$ 271
1998	525
1999	1,025
2000	807
2001	2,065
Thereafter	4,086

The Company has agreed to observe certain covenants under the terms of its note and debenture agreements the most restrictive of which relates to amounts of additional secured debt and long-term leases.

The Company has entered into sale/leaseback transactions involving buildings while retaining title to the underlying land. These transactions were accounted for as financings and are included in long-term debt and the annual maturities schedules above. The resulting obligations are amortized over the lease terms. Future minimum lease payments for each of the five succeeding years as of January 31, 1996 are (in millions):

Fiscal years ending January 31,	Minimum Rentals
1997	$ 72
1998	76
1999	76
2000	104
2001	100
Thereafter	1,009

The fair value of the Company's long-term debt approximates $8,960 million based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying amount of the short-term borrowings approximates fair value.

As of January 31, 1996 and 1995, the Company had letters of credit outstanding totaling $551 and $580 million, respectively. These letters of credit were issued primarily for the purchase of inventory.

The Company has guaranteed the indebtedness of a joint venture for the development of real estate in Puerto Rico. On January 31, 1996, the amount guaranteed was approximately $85 million. The Company does not anticipate any joint venture defaults.

Under shelf registration statements previously filed with the Securities and Exchange Commission, the Company may issue debt securities aggregating $751 million.

3 Defined Contribution Plan

The Company maintains a profit sharing plan under which most full and many part-time Associates become participants following one year of employment. Annual contributions, based on the profitability of the Company, are made at the sole discretion of the Company. Contributions were $204 million, $175 million, and $166 million in 1996, 1995, and 1994, respectively.

4 Income Taxes

The income tax provision consists of the following (in millions):

	1996	1995	1994
Current:			
Federal	**$1,342**	$1,394	$1,193
State and local	**188**	178	132
Total current tax provision	**1,530**	1,572	1,325
Deferred:			
Federal	**61**	7	30
State and local	**15**	2	3
Total deferred tax provision	**76**	9	33
Total provision for income taxes	**$1,606**	$1,581	$1,358

Items that give rise to significant portions of the deferred tax accounts at January 31 are as follows (in millions):

	1996	1995	1994
Deferred tax liabilities:			
Property, plant, and equipment	**$617**	$518	$408
Inventory	**135**	88	38
Other	**19**	8	9
Total deferred tax liabilities	**771**	614	455
Deferred tax assets:			
Amounts accrued for financial reporting purposes not yet deductible for tax purposes	**204**	230	114
Capital leases	**147**	114	95
Other	**150**	33	18
Total deferred tax assets	**501**	377	227
Net deferred tax liabilities	**$270**	$237	$228

A reconciliation of the significant differences between the effective income tax rate and the federal statutory rate on pretax income follows:

	1996	1995	1994
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	3.1	2.7	2.4
Other	(1.1)	(0.6)	(0.6)
Effective tax rate	37.0%	37.1%	36.8%

5 Acquisitions

In two unrelated cash transactions during fiscal 1994, the Company acquired selected assets of PACE Membership Warehouses, Inc., including the right to operate 107 of PACE's former locations, for $830 million, recording $336 million of goodwill which is being amortized over 25 years.

In fiscal 1995, the Company acquired selected assets related to 122 Woolco stores in Canada from Woolworth Canada, Inc., a subsidiary of Woolworth Corporation, for approximately $352 million, recording $221 million of leasehold and location value which is being amortized over 20 years. These transactions have been accounted for as purchases. The results of operations for the acquired units since the dates of their acquisitions have been included in the Company's results. Pro forma results of operations are not presented due to insignificant differences from the historical results.

6 Stock Option Plans

At January 31, 1996, 75 million shares of common stock were reserved for issuance under stock option plans. The options granted under the stock option plans expire 10 years from the date of grant. Options granted prior to November 1995 may be exercised in nine annual installments. Options granted after November 1995 may be exercised in seven annual installments. Further information concerning the options is as follows:

	Shares	Option price per share	Total
Shares under option			
January 31, 1993	14,464,000	$ 1.43-30.82	$234,860,000
Options Granted	3,550,000	25.00-27.25	90,377,000
Options Cancelled	(803,000)	1.43-30.82	(17,325,000)
Options Exercised	(1,335,000)	1.43-30.82	(9,664,000)
January 31, 1994	15,876,000	1.43-30.82	298,248,000
Options Granted	4,125,000	21.63-26.75	95,689,000
Options Cancelled	(1,013,000)	1.43-30.82	(23,127,000)
Options Exercised	(1,019,000)	2.08-27.25	(7,829,000)
January 31, 1995	17,969,000	2.78-30.82	362,981,000
Options Granted	7,114,000	23.50-24.75	167,959,000
Options Cancelled	(1,953,000)	3.75-30.82	(43,873,000)
Options Exercised	(1,101,000)	2.78-25.38	(9,678,000)
January 31, 1996 (5,011,000 shares exerciseable)	22,029,000	$ 2.78-30.82	$477,389,000
Shares available for option			
January 31, 1995	58,107,000		
January 31, 1996	52,946,000		

7 Long-term Lease Obligations

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including, for certain leases, amounts applicable to taxes, insurance, maintenance, other operating expenses, and contingent rentals) under all operating leases were $531 million in 1996, $479 million in 1995, and $361 million in 1994. Aggregate minimum annual rentals at January 31, 1996, under non-cancelable leases are as follows (in millions):

Fiscal years	Operating leases	Capital leases
1997	$ 382	$ 263
1998	417	285
1999	358	284
2000	343	282
2001	317	279
Thereafter	3,117	3,087
Total minimum rentals	$4,934	4,480
Less estimated executory costs		83
Net minimum lease payments		4,397
Less imputed interest at rates ranging from 6.1% to 14.0%		2,236
Present value of minimum lease payments		$2,161

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to $41 million, $42 million, and $27 million in 1996, 1995, and 1994, respectively. Substantially all of the store leases have renewal options for additional terms from five to 25 years at comparable rentals.

The Company has entered into lease commitments for land and buildings for 34 future locations. These lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which, if consummated based on current cost estimates, will approximate $32 million annually over the lease terms.

8 Quarterly Financial Data (Unaudited)

	Quarters ended			
Amounts in millions (except per share information)	April 30,	July 31,	October 31,	January 31,
1996				
Net sales	$20,440	$22,723	$22,913	$27,551
Cost of sales	16,196	18,095	18,176	22,097
Net income	553	633	612	942
Net income per share	$ .24	$ .28	$ .27	$ .41
1995				
Net sales	$17,686	$19,942	$20,418	$24,448
Cost of sales	14,063	15,960	16,201	19,362
Net income	498	565	588	1,030
Net income per share	$ .22	$ .25	$ .26	$ .45

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Wal-Mart Stores, Inc.

We have audited the accompanying consolidated balance sheets of Wal-Mart Stores, Inc., and Subsidiaries as of January 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart Stores, Inc. and Subsidiaries at January 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 1996, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Tulsa, Oklahoma
March 25, 1996

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements and information of Wal-Mart Stores, Inc., and Subsidiaries presented in this Report have been prepared by management which has responsibility for their integrity and objectivity. These financial statements have been prepared in conformity with generally accepted accounting principles, applying certain estimates and judgments based upon currently available information and management's view of current conditions and circumstances.

Management has developed and maintains a system of accounting and controls, including an extensive internal audit program, designed to provide reasonable assurance that the Company's assets are protected from improper use and that accounting records provide a reliable basis for the preparation of financial statements. This system is continually reviewed, improved, and modified in response to changing business conditions and operations and to recommendations made by the independent auditors and the internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Company has adopted a Statement of Ethics to guide our management in the continued observance of high ethical standards of honesty, integrity and fairness in the conduct of the business and in accordance with the law. Compliance with the guidelines and standards is periodically reviewed and is acknowledged in writing by all management associates.

The Board of Directors, through the activities of its Audit Committee consisting solely of outside Directors, participates in the process of reporting financial information. The duties of the Committee include keeping informed of the financial condition of the Company and reviewing its financial policies and procedures, its internal accounting controls, and the objectivity of its financial reporting. Both the Company's independent auditors and the internal auditors have free access to the Audit Committee and meet with the Committee periodically, with and without management present.

John B. Menzer
Executive Vice President and Chief Financial Officer

CORPORATE INFORMATION

Registrar and Transfer Agent

1st Chicago Trust Company
of New York
P.O. Box 2540
Jersey City, NJ 07303-2540
1-800-438-6278 (GET-MART)
TDD for hearing impaired:
1-202-222-4955
Internet: http://www.fctc.com

Independent Auditors

Ernst & Young LLP
3900 One Williams Center
Tulsa, Oklahoma 74172

Listings

Stock Symbol: WMT
New York Stock Exchange
Pacific Stock Exchange
Toronto Stock Exchange

Corporate Address

Wal-Mart Stores, Inc.
Bentonville, Arkansas
72716-8611
Telephone: 501-273-4000
Internet: http://www.wal-mart.com

Form 10-K and Other Reports

The following reports are available upon request by writing the company or by calling 501-273-8446.

*Annual Report on Form 10K
*Quarterly Financial Information
*Current Press Releases
Diversity Programs Report

**These reports are also available via fax by calling: 1-800-WAL-MART*

Annual Meeting

Our Annual Meeting of Shareholders will be held on Friday, June 7, 1996, at 10:00 a.m. in Bud Walton Arena on the University of Arkansas campus, Fayetteville, Arkansas.

Market Price Of Common Stock

	Fiscal years ended January 31,			
	1996		1995	
Quarter	High	Low	High	Low
April 30	$26.00	$23.13	$29.13	$24.00
July 31	27.50	23.00	25.88	22.75
October 31	26.00	21.63	26.00	22.75
January 31	24.75	19.25	24.13	20.88

Dividends Paid Per Share

Fiscal years ended January 31,			
Quarterly			
1996		1995	
April 14	$0.0500	April 14	$0.0425
July 10	0.0500	July 8	0.0425
October 3	0.0500	October 3	0.0425
January 5	0.0500	January 5	0.0425

Trustees

5½%, 5⅞%, 6⅛%, 6⅜%, 6½%, 6¾%, 7¼%, 8%, 8½%, 8⅜% Notes, and $107,000,000 of the Mortgage Notes:
First National Bank
of Chicago
One First National Plaza
Suite 126
Chicago, Illinois 60670

9 5/16% Notes:
Harris Trust and
Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Obligations from Sale/Leaseback Transaction (Wal-Mart Retail Trust I, II, III):
State Street Bank & Trust
Company of Connecticut
750 Main Street
Suite 1114
Hartford, Connecticut 06103

5⅛% Eurobonds:
Royal Bank of Canada
71 Queen Victoria Street
London, England EC4V4DE
United Kingdom

6⅛%, 6¾%, 6⅞% Eurobonds:
First National Bank of Chicago
First Chicago House
90 Long Acre
London, England WC2E9RB
United Kingdom

Participating Mortgage Certificates I & II:
Boatmen's Trust Company
510 Locust Street
P.O. Box 14737
St. Louis, Missouri 63178

Pass Through Certificates 1992-A-1-7.49%
First Security Bank
of Utah, N.A.
Corporate Trust Department
79 South Main Street
P.O. Box 30007
Salt Lake City, Utah 84130

Pass Through Certificates 1992-A-2-8.07%
First Security Bank
of Idaho, N.A.
1119 North 9th Street
Boise, Idaho 83701

Pass Through Certificates 1994-A-1-8.57% 1994-A-2-8.85% 1994-B-1-8.45% 1994-B-2-8.62%
First National Bank
of Chicago
One First National Plaza
Suite 126
Chicago, Illinois 60670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Expiration Date: 07/31/96
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One secondary membership available for only $10*.
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